

To the Members of the California State Senate:

I am signing Senate Bill 1612 to expand the availability of subsidized child care for children in foster care and restore funding and incentives to insure that services are available to children who are suffering from or at risk of abuse or neglect.

Childcare subsidies are an important tool for counties to be able to recruit and retain foster parents, and unfortunately there is a large need across our state. This bill will make federal funds available to counties currently providing these services and enable the expansion of services at no cost to the state. Furthermore, federal funds will offer an incentive to counties that currently do not provide these services to do so.

This measure also restores \$17.1 million in state support for child welfare services (CWS) and reinstates budget control language that offers an incentive for counties to provide the resources necessary to match all of the state and federal dollars available. The elimination of the funding and language from the 2004 Budget Act reflected the imperative to reduce General Fund spending in all areas of the budget, including child welfare. The action also reflected an assumption that counties could backfill the reduction and maintain more than \$91 million in total funds for this important program.

CWS funds are used to protect abused and neglected children and maintain families. The Basic CWS program includes a county share of cost that is matched with state and federal funds. Since 1998, the state has provided additional resources in the form of the CWS Augmentation and waived the customary county share of cost in order to provide fiscal incentives to counties. Taken together, the 2004 Budget Act's reduction in state financial support coupled with elimination of budget language, which provided fiscal incentives for counties to provide local funds for the Basic CWS program, could have the unintended consequence of severe reductions in services to vulnerable children and their families. If counties cannot afford to provide the local match to backfill the reduction in state support for the CWS Augmentation, as originally assumed, the program could lose as much as \$91 million. Moreover, elimination of the budget language could result in some counties failing to provide support for the Basic CWS program.

Such a large reduction in the level of supervision of children in foster homes could jeopardize both the safety of children as well as the level of federal funds available for CWS. Service reductions in CWS would reduce the state's ability to meet the federally required outcomes included in California's Program Improvement Plan (PIP). Failure to meet the federal outcomes would subject California to potential sanctions of more than \$18 million, again increasing the risk to the CWS program.

Simply put, failure to restore the \$17.1 million and budget control language has the potential to jeopardize the health and safety of California's most vulnerable children. In light of this impact as well as the savings identified in the 2003-04 fiscal year since the time the 2004 Budget Act was signed and the opportunity to reprioritize expenditures planned in the 2004 Budget Act, I support restoration of both the \$17.1 million and the fiscal incentives for counties to provide necessary services.

My Administration is challenged to balance the twin imperatives of maintaining essential services to our state's most vulnerable and at-risk residents, while implementing strategies to better manage and control program costs over the long term. Going forward my Administration remains committed to engaging a diversity of stakeholders in the further development of reform proposals that will enable California to fulfill its commitment to our most vulnerable residents within existing resources. I look forward to the constructive input of consumers, providers, the Legislature and others as we collectively work together to address the continuing fiscal challenges in creative ways.

For these reasons I am signing this measure.

Sincerely,

Arnold Schwarzenegger